

VILLAGE OF ESTRAL BEACH
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2004

Auditing Procedures Report

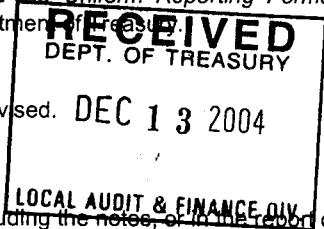
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF ESTRAL BEACH	County MONROE
Audit Date 06/30/04	Opinion Date 11/12/04	Date Accountant Report Submitted to State: 12/10/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON CPA'S, PLLC			
Street Address ONE SOUTH MONROE STREET	City MONROE	State MI	ZIP 48161
Accountant Signature <i>Cooley Hehl Wohlgamuth & Carlton</i>		Date	

VILLAGE OF ESTRAL BEACH

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Independent Auditor's Report

President and Village Council
Village of Estral Beach
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Estral Beach, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 29 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council
Village of Estral Beach

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Estral Beach, Monroe County, Michigan basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooling Hehl Wohlguth & Carter

November 12, 2004

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis Year Ended June 30, 2004

This section of the Village of Estral Beach's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Projects Funds.

The Governmental Accounting Standards Council (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, considering the financial resources necessary to prepare the comparative information for the prior year, the Village has elected to exclude the information in this report. Subsequent reports will include comparative information.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Estral Beach financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's individual funds - the General Fund, the Major Street Fund, the Local Street Fund, the 1952 Dike Fund, and the Fire Millage Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for Major Funds
(Required Supplemental Information)

Other Supplemental Information

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis *Year Ended June 30, 2004*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-11), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, and recreation. Property taxes, state grants, and licenses and permits finance most of these activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 12-18) provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

Governmental funds - All of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

Fiduciary funds - An Agency Fund is used to account for assets held by the Village as an agent for the collection and disbursement of property taxes.

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis *Year Ended June 30, 2004*

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2004:

Table 1:

Condensed Statement of Net Assets June 30, 2004

	<u>Governmental Activities</u>
Current and other assets	\$329,541
Capital assets	<u>223,962</u>
Total Assets	553,503
Current and other liabilities	17,813
Long-term liabilities	<u>18,934</u>
Total Liabilities	<u>36,747</u>
Net Assets:	
Invested in capital assets, net of related debt	205,028
Restricted for capital projects, net of related debt	29,261
Unrestricted	<u>282,467</u>
Total Net Assets	<u>\$516,756</u>

As depicted in Table 1, the Village's net assets were \$516,756 at June 30, 2004. Of this amount, a positive \$282,467 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2004.

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis
Year Ended June 30, 2004

Government-Wide Financial Analysis - Concluded

Table 2:

Changes in Net Assets
Year Ended June 30, 2004

	<u>Governmental Activities</u>
Revenues	
Program revenues:	
Charges for services	\$ 8,527
State grants	<u>52,283</u>
	60,810
General revenues:	
Property taxes	76,624
State grants	41,505
Other general revenues and transfers, net	<u>16,192</u>
	<u>134,321</u>
Total Revenues	195,131
Functions/Program Expenses	
Legislative	588
General government	27,975
Public safety	38,890
Public works	69,041
Culture and recreation	273
Other	<u>26,355</u>
Total Expenses	<u>163,122</u>
Increase (Decrease) in Net Assets	<u>\$ 32,009</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$163,122. Of this amount, \$60,810 was subsidized with revenue generated from charges for services, rentals and grants with the remaining costs financed with general revenues.

The Village experienced an increase in net assets of \$32,009. Key reasons for this increase are the lack of spending in the street funds. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net assets appears on page 14.

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis *Year Ended June 30, 2004*

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Estral Beach is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$311,728, which is an increase of \$33,055 from last year. The changes by funds are as follows:

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>1952 Dike Fund</u>	<u>Fire Millage Funds</u>	<u>Total</u>
Fund balances - Beginning of year	\$ 40,884	\$131,327	\$66,257	\$16,175	\$24,030	\$278,673
Increase (decrease)	(1,207)	35,685	9,521	3,984	(14,928)	33,055
Fund balances - End of year	<u>\$39,677</u>	<u>\$167,012</u>	<u>\$75,778</u>	<u>\$20,159</u>	<u>\$9,102</u>	<u>\$311,728</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Percent Change</u>
Revenues			
Property taxes	\$ 76,624	\$77,112	(0.60)%
Licenses and permits	7,642	5,498	39.00 %
State grants	41,505	42,567	(2.50)%
Charges for services	885	120	637.50 %
Interest	544	638	(14.73)%
Other	<u>14,033</u>	<u>33,729</u>	(58.39)%
	<u>\$141,233</u>	<u>\$159,664</u>	(11.54)%

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis *Year Ended June 30, 2004*

Fund Financial Analysis – Concluded

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Percent Change</u>
Expenditures			
Legislative	\$ 588	\$ 448	31.25 %
General government	27,946	25,483	9.67 %
Public safety	28,963	10,916	165.33 %
Public works	54,315	86,514	(37.22)%
Culture and recreation	273	120	127.50 %
Other	26,355	26,554	(0.75)%
Operating transfers out	<u>4,000</u>	<u>22,450</u>	(82.19)%
	<u>\$142,440</u>	<u>\$172,485</u>	1.60%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues - Although no revisions were made to the revenue budget of \$132,246, several factors impact the planning of it. Estral Beach is a small residential based village with little industrial or commercial tax base. At June 30, 2004, state-shared revenue accounted for approximately 29 percent of the total yearly revenue received and property tax revenue accounting for approximately 54 percent. Projected reductions in state-shared revenues, the drop in interest rates, along with a modest increase in taxable value, cause the Council to have a very conservative outlook.

Expenditures – No revisions were made to the expenditure budget of \$123,000. Expenditures in the General Fund for fire protection, public works, rubbish collection, and insurance represented 63% of total expenditures. Another 20% of the budget was for general government services.

VILLAGE OF ESTRAL BEACH

Management's Discussion and Analysis *Year Ended June 30, 2004*

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the Village had \$373,291 invested in a broad range of capital assets, including land, roads, building and building improvements, machinery and equipment, and vehicles. This amount represents a net decrease (including additions and disposals) of approximately \$20,000 from last year. This year's additions of approximately \$14,500 included the purchase of an outdoor warning siren and a 1987 ambulance. The Village sold a 1963 pumper fire truck for \$676. Depreciation for this year totaled \$21,317. Detailed information regarding capital assets is included in Note 9 to the financial statements.

Debt

At June 30, 2004, the Village owed \$18,934 on a note payable. The Village originally borrowed \$28,500 to purchase a tractor on September 4, 2002. This note matures on September 4, 2007. Detailed information regarding debt is included in Note 6 to the financial statements.

Development of the 2004-05 Fiscal Year Budget

Our elected officials consider many factors when setting the Village's 2004-05 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, like decreased revenue sharing from the State since it accounts for 29 percent of our revenues.

Contacting the Village of Estral Beach's Business Office

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Estral Beach Clerk, P.O. Box 107, Newport, MI 48166.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

VILLAGE OF ESTRAL BEACH

Statement of Net Assets June 30, 2004

	Governmental Activities
Assets	
Cash and cash equivalents	\$295,682
Certificates of deposit	21,000
Due from other governmental units	12,859
Depreciable capital assets, net	223,962
Total Assets	553,503
Liabilities	
Accounts payable	17,813
Long-term liabilities:	
Due within one year	5,162
Due in more than one year	13,772
Total Liabilities	36,747
Net Assets	
Invested in capital assets, net of related debt	205,028
Restricted for capital projects	29,261
Unrestricted	282,467
Total Net Assets	\$516,756

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Statement of Activities *Year Ended June 30, 2004*

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental Activities:				
Legislative	\$588	\$0	\$0	(\$588)
General government	27,975	8,527	0	(19,448)
Public safety	38,890	0	0	(38,890)
Public works	69,041	0	52,283	(16,758)
Recreation and culture	273	0	0	(273)
Other	26,355	0	0	(26,355)
Total Governmental Activities	<u>\$163,122</u>	<u>\$8,527</u>	<u>\$52,283</u>	(102,312)
General Revenues:				
Property taxes				76,624
State grants				41,505
Interest income				2,159
Other				14,033
Total General Revenues				<u>134,321</u>
Change in Net Assets				32,009
Net Assets - Beginning of year				<u>484,747</u>
Net Assets - End of year				<u>\$516,756</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF ESTRAL BEACH*Governmental Funds
Balance Sheet
June 30, 2004*

	General	Special Revenue Funds	
		Major Street Fund	Local Street Fund
Assets			
Cash and cash equivalents	\$42,611	\$152,020	\$76,720
Certificates of deposit	0	16,000	0
Due from other funds	2,020	0	0
Due from other governmental units	12,859	0	0
Total Assets	<u>\$57,490</u>	<u>\$168,020</u>	<u>\$76,720</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$17,813	\$0	\$0
Due to other funds	0	1,008	942
Total Liabilities	17,813	1,008	942
Fund Balances			
Unreserved - undesignated	39,677	167,012	75,778
Total Fund Balances	<u>39,677</u>	<u>167,012</u>	<u>75,778</u>
Total Liabilities and Fund Balances	<u>\$57,490</u>	<u>\$168,020</u>	<u>\$76,720</u>

See accompanying notes to the basic financial statements.

Capital Projects Funds		
1952 Dike Fund	Fire Millage Fund	Totals
\$15,229	\$9,102	\$295,682
5,000	0	21,000
0	0	2,020
0	0	12,859
<u>\$20,229</u>	<u>\$9,102</u>	<u>\$331,561</u>
\$0	\$0	\$17,813
70	0	2,020
70	0	19,833
<u>20,159</u>	<u>9,102</u>	<u>311,728</u>
<u>20,159</u>	<u>9,102</u>	<u>311,728</u>
<u>\$20,229</u>	<u>\$9,102</u>	<u>\$331,561</u>

VILLAGE OF ESTRAL BEACH

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2004

Total Fund Balances - Governmental Funds	\$311,728
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is:	373,291
Accumulated depreciation is:	<u>(149,329)</u>
Total	223,962
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Note payable	<u>(18,934)</u>
Total Net Assets - Governmental Activities	<u>\$516,756</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Governmental Funds *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Year Ended June 30, 2004*

		Special Revenue Funds	
	General	Major Street Fund	Local Street Fund
Revenues			
Property taxes	\$76,624	\$0	\$0
Licenses and permits	7,642	0	0
State grants	41,505	38,925	13,358
Charges for services	885	0	0
Interest income	544	993	511
Other revenue	14,033	0	0
Total Revenues	141,233	39,918	13,869
Expenditures			
Legislative	588	0	0
General government	27,946	0	0
Public safety	28,963	0	0
Public works	54,315	4,233	4,348
Recreation and culture	273	0	0
Other	26,355	0	0
Total Expenditures	138,440	4,233	4,348
Excess (Deficiency) of Revenue Over Expenditures	2,793	35,685	9,521
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers out	(4,000)	0	0
Total Other Financing Sources (Uses)	(4,000)	0	0
Net Change in Fund Balances	(1,207)	35,685	9,521
Fund Balances - Beginning of year	40,884	131,327	66,257
Fund Balances - End of year	<u>\$39,677</u>	<u>\$167,012</u>	<u>\$75,778</u>

See accompanying notes to the basic financial statements.

Capital Projects Funds		Total
1952 Dike Fund	Fire Millage Fund	Governmental Funds
\$0	\$0	\$76,624
0	0	7,642
0	0	93,788
0	0	885
54	57	2,159
0	0	14,033
54	57	195,131
0	0	588
0	0	27,946
70	14,985	44,018
0	0	62,896
0	0	273
0	0	26,355
70	14,985	162,076
(16)	(14,928)	33,055
4,000	0	4,000
0	0	(4,000)
4,000	0	0
3,984	(14,928)	33,055
16,175	24,030	278,673
<u>\$20,159</u>	<u>\$9,102</u>	<u>\$311,728</u>

VILLAGE OF ESTRAL BEACH

*Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$33,055
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(21,317)
Capital outlay	<u>14,500</u>
Total	(6,817)
Repayments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	<u>5,771</u>
Change in Net Assets of Governmental Activities	<u><u>\$32,009</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Agency Fund
Statement of Fiduciary Net Assets
June 30, 2004

	<u>Tax Collection Agency Fund</u>
Assets	
Cash	<u>\$26</u>
Liabilities and net assets	
Due to other governmental units	<u>\$26</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements *Year Ended June 30, 2004*

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected five member Council form of government.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes general operations, library, fire, debt, street maintenance and construction, dike repairs and fire protection.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Estral Beach have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Village's government-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and propriety funds. Major governmental funds are reported as separate columns in the fund financial statements.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements
Year Ended June 30, 2004

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The 1952 Dike Fund accounts for revenues accumulated to be used for maintaining the dike system.

The Fire Millage Fund accounts for proceeds from a tax millage for the purpose of operating and upgrading fire and rescue service and equipment.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements

Year Ended June 30, 2004

Note 2

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

The Village does not have any nonmajor governmental funds.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of one thousand dollars. The Village does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads	20 years
Buildings and buildings improvements	50 years
Machinery and equipment	10 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements *Year Ended June 30, 2004*

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)
C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Property Taxes - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 1 of the following year.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements Year Ended June 30, 2004

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

F. Budgetary Policies (Concluded)

2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

Note 3 Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles

For fiscal year 2004, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*; GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, GASB No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. At July 1, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Village's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements Year Ended June 30, 2004

Note 3 Changes in Accounting Principles and Restatement of Fund Balance (Concluded)

Restatement of Fund Balance

The restatements for GASB Statement No. 34 had the following effects on the transition from governmental fund balance to net assets of the governmental activities.

	Total Governmental Activities
Fund Balance June 30, 2003	\$278,673
GASB 34 Adjustments:	
Capital Assets, net of depreciation	230,779
Long-Term Liabilities	(24,705)
Governmental Activities Net Assets at June 30, 2003	<u>\$484,747</u>

Note 4 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2004, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$119,000	\$138,440	\$ (19,440)
Local Street Fund	2,950	4,348	(1,398)
Fire Millage Fund	5,000	14,985	(9,985)

Note 5 Property Tax

The Village bills and collects its own property taxes. Tax collections are accounted for in the Tax Collection Agency Fund. The Village tax levy was spread as follows:

General Fund	5.1681
Rubbish	<u>1.8067</u>
	<u>6.9748</u>

The Village's 2003 property taxes, levied on July 1, 2003 on assessed valuation as of December 31, 2002, were due and payable by September 15, 2003 per an extension approved by the Village Council. Taxable values, which amounted to \$10,857,474 are based on a percentage of the fair market value of the assessed property. Property tax revenue is recorded when the taxes are levied.

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements *Year Ended June 30, 2004*

Note 6 Long-Term Debt

The Village has a note payable to Monroe Bank & Trust for the purchase of a New Holland Tractor. The note, dated September 4, 2002, is secured by the equipment and is payable at \$545 per month for sixty months. The note has an interest rate of 5.5% and is due September 4, 2007.

The following is a summary of changes in long-term debt:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due in</u> <u>One Year</u>
Note payable to Monroe Bank & Trust for New Holland Tractor.	\$ <u>24,705</u>	\$ <u>-</u>	\$ <u>5,771</u>	\$ <u>18,934</u>	\$ <u>5,162</u>

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2004, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,162	\$ 837	\$ 5,999
2006	5,935	610	6,545
2007	6,270	275	6,545
2008	<u>1,567</u>	<u>69</u>	<u>1,636</u>
Total	\$ <u>18,934</u>	\$ <u>1,791</u>	\$ <u>20,725</u>

Note 7 Interfund Payables and Receivables

Such balances at June 30, 2004, were:

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
General Fund:		
Major Street Fund	\$1,008	\$ -
Local Street Fund	942	-
1952 Dike Fund	70	-
Major Street Fund:		
General Fund	-	1,008
Local Street Fund:		
General Fund	-	942
1952 Dike Fund:		
General Fund	<u>-</u>	<u>70</u>
	\$ <u>2,020</u>	\$ <u>2,020</u>

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements *Year Ended June 30, 2004*

Note 8 Interfund Transfers

Interfund transfers at June 30, 2004, consisted of the following:

	<u>Transfers Out</u> General <u>Fund</u>
<u>Transfers In:</u>	
1952 Dike Fund	<u>\$4,000</u>

The transfer from the General Fund to the 1952 Dike Fund represents an effort by the Village to accumulate funds for eventual dike repairs and maintenance.

Note 9 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Assets not being depreciated:				
Land	\$12,000	\$0	\$0	\$12,000
Capital assets being depreciated:				
Roads	114,962	0	0	114,962
Building and building improvements	61,446	0	0	61,446
Machinery and equipment	78,883	12,500	0	91,383
Vehicles	<u>126,500</u>	<u>2,000</u>	<u>35,000</u>	<u>93,500</u>
Total capital assets	393,791	14,500	35,000	373,291
Less accumulated depreciation:				
Roads	4,311	5,748	0	10,059
Building and building improvements	55,622	229	0	55,851
Machinery and equipment	38,694	5,048	0	43,742
Vehicles	<u>64,385</u>	<u>10,292</u>	<u>35,000</u>	<u>39,677</u>
Total accumulated depreciation	<u>163,012</u>	<u>21,317</u>	<u>35,000</u>	<u>149,329</u>
Net capital assets	<u>\$230,779</u>	<u>(\$6,817)</u>	<u>\$0</u>	<u>\$223,962</u>

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements
Year Ended June 30, 2004

Note 9 Capital Assets (Concluded)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 29
Public safety	9,372
Public works	<u>11,916</u>
Total governmental activities	<u>\$21,317</u>

Note 10 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank & Trust.

The carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents, and certificates of deposit. The following is a summary of these deposits:

	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Fund</u>	<u>Total</u>
Carrying value of total deposits	<u>\$316,682</u>	<u>\$ 26</u>	<u>\$316,708</u>
Bank balance of deposits			\$313,061
Amount covered by FDIC			<u>100,000</u>
In uninsured and uncollateralized accounts			<u>\$213,061</u>

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements *Year Ended June 30, 2004*

Note 11 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 12 Contingent Liability

The Village of Estral Beach is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended June 30, 2004, the Village incurred no expense and no provision has been made for any additional potential liability.

Note 13 Subsequent Event

On July 9, 2002, the voters approved the issuance of \$400,000 of general obligation capital improvement bonds to pay for dredging improvements. The intent of the Village is to levy a special assessment against the benefitting property owners to pay the debt obligations of the new bond issue. As of June 30, 2004, the project has not commenced and the bonds have not been sold.

Note 14 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2004, of \$7,642 did not exceed the related costs and administrative overhead.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF ESTRAL BEACH

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Budget
	Original	Final		
Revenues				
Taxes:				
Operating	\$56,162	\$56,162	\$56,776	\$614
Rubbish	19,634	19,634	19,848	214
	<u>75,796</u>	<u>75,796</u>	<u>76,624</u>	<u>828</u>
Licenses and permits	5,000	5,000	7,642	2,642
State grants:				
State revenue sharing	48,000	48,000	41,505	(6,495)
Charges for services:				
Hall rental	1,000	1,000	885	(115)
Interest income	250	250	544	294
Other revenue:				
Sale of fixed assets	0	0	676	676
Contributions	0	0	3,000	3,000
Franchise fee - cable	1,700	1,700	1,688	(12)
Insurance recovery	0	0	7,200	7,200
Miscellaneous	500	500	1,469	969
	<u>2,200</u>	<u>2,200</u>	<u>14,033</u>	<u>11,833</u>
Total Revenues	132,246	132,246	141,233	8,987
Expenditures				
Legislative:				
Village council	500	500	588	(88)
General government:				
President			75	
Elections			1,382	
Audit			5,705	
Attorney			1,559	
Clerk			4,677	
Treasurer			2,234	
Buildings and grounds			12,314	
	<u>24,000</u>	<u>24,000</u>	<u>27,946</u>	<u>(3,946)</u>

VILLAGE OF ESTRAL BEACH

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Budget
	Original	Final		
Expenditures (Concluded)				
Public safety:				
Fire department	\$12,000	\$12,000	\$21,571	(\$9,571)
Building department	4,000	4,000	7,392	(3,392)
	<u>16,000</u>	<u>16,000</u>	<u>28,963</u>	<u>(12,963)</u>
Public works:				
Department of public works	18,000	18,000	23,234	(5,234)
Flood control	5,000	5,000	2,651	2,349
Street lighting	8,500	8,500	8,312	188
Rubbish collection	21,000	21,000	20,118	882
	<u>52,500</u>	<u>52,500</u>	<u>54,315</u>	<u>(1,815)</u>
Recreation and culture	3,000	3,000	273	2,727
Other:				
Insurance and bonds	23,000	23,000	24,640	(1,640)
Miscellaneous	0	0	1,715	(1,715)
	<u>23,000</u>	<u>23,000</u>	<u>26,355</u>	<u>(3,355)</u>
Total Expenditures	<u>119,000</u>	<u>119,000</u>	<u>138,440</u>	<u>(19,440)</u>
Excess (Deficiency) of Revenues Over Expenditures	13,246	13,246	2,793	(10,453)
Other Financing Sources (Uses)				
Operating transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>0</u>
Net Change in Fund Balance	9,246	9,246	(1,207)	(10,453)
Fund Balance - Beginning of year	<u>69,317</u>	<u>69,317</u>	<u>40,884</u>	<u>(28,433)</u>
Fund Balance - End of year	<u>\$78,563</u>	<u>\$78,563</u>	<u>\$39,677</u>	<u>(\$38,886)</u>

VILLAGE OF ESTRAL BEACH

Major Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants	\$37,000	\$37,000	\$38,925	\$1,925
Interest income	1,000	1,000	993	(7)
Total Revenues	38,000	38,000	39,918	1,918
Expenditures				
Public works:				
Construction	0	0	0	0
Routine maintenance	2,000	2,000	2,767	(767)
Traffic services	1,000	1,000	559	441
Winter maintenance	2,000	2,000	435	1,565
Administration and engineering	500	500	472	28
Total Expenditures	5,500	5,500	4,233	1,267
Excess (Deficiency) of Revenues Over Expenditures	32,500	32,500	35,685	3,185
Other Financing Sources (Uses)				
Operating transfers out	(9,000)	(9,000)	0	9,000
Net Change in Fund Balance	23,500	23,500	35,685	12,185
Fund Balance - Beginning of year	43,327	43,327	131,327	88,000
Fund Balance - End of year	\$66,827	\$66,827	\$167,012	\$100,185

VILLAGE OF ESTRAL BEACH

Local Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants	\$12,500	\$12,500	\$13,358	\$858
Interest income	500	500	511	11
Total Revenues	13,000	13,000	13,869	869
Expenditures				
Public works:				
Construction	0	0	0	0
Routine maintenance	1,000	1,000	3,064	(2,064)
Traffic services	500	500	406	94
Winter maintenance	1,000	1,000	435	565
Administration and engineering	450	450	443	7
Total Expenditures	2,950	2,950	4,348	(1,398)
Excess (Deficiency) of Revenues Over Expenditures	10,050	10,050	9,521	(529)
Other Financing Sources (Uses)				
Operating transfers in	9,000	9,000	0	(9,000)
Net Change in Fund Balance	19,050	19,050	9,521	(9,529)
Fund Balance - Beginning of year	11,057	11,057	66,257	55,200
Fund Balance - End of year	<u>\$30,107</u>	<u>\$30,107</u>	<u>\$75,778</u>	<u>\$45,671</u>

VILLAGE OF ESTRAL BEACH

1952 Dike Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest income	\$100	\$100	\$54	(\$46)
Total Revenues	100	100	54	(46)
Expenditures				
Public safety:				
Maintenance expense	1,500	1,500	70	1,430
Excess (Deficiency) of Revenues Over Expenditures	(1,400)	(1,400)	(16)	1,384
Other Financing Sources (Uses)				
Operating transfers in	4,000	4,000	4,000	0
Net Change in Fund Balance	2,600	2,600	3,984	1,384
Fund Balance - Beginning of year	4,430	4,430	16,175	11,745
Fund Balance - End of year	<u>\$7,030</u>	<u>\$7,030</u>	<u>\$20,159</u>	<u>\$13,129</u>

VILLAGE OF ESTRAL BEACH

Fire Millage Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$150	\$150	\$57	(\$93)
Total Revenues	150	150	57	(93)
Expenditures				
Public safety:				
Repair and maintenance	5,000	5,000	14,985	(9,985)
Total Expenditures	5,000	5,000	14,985	(9,985)
Net Change in Fund Balance	(4,850)	(4,850)	(14,928)	(10,078)
Fund Balance - Beginning of year	10,502	10,502	24,030	13,528
Fund Balance - End of year	\$5,652	\$5,652	\$9,102	\$3,450

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF ESTRAL BEACH

Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Assets				
Cash	<u>\$150</u>	<u>\$67,541</u>	<u>\$67,665</u>	<u>\$26</u>
Liabilities				
Due to other funds	<u>\$150</u>	<u>\$67,541</u>	<u>\$67,665</u>	<u>\$26</u>



COOLEY HEHL
WOHLGAMUTH & CARLTON
P. L. L. C. Certified Public Accountants

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Certified Public Accountants

Village Council
Village of Estral Beach
Monroe County, Michigan

Report of Comments and Recommendations

Our audit of the financial statements of the Village of Estral Beach for the fiscal year ended June 30, 2004, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Village. During the course of our audit we encountered matters which we set forth herein for your review. Our comments have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore, do not encompass all matters that might result from special studies directed toward such matters.

Budgets

As required by Act 621, P.A. of 1978, we reviewed the Village's budgets for compliance with this budget law. For the fiscal year ended June 30, 2004, the budgets were not sufficiently amended for changes that occurred during the year. Therefore, the Village's expenditures exceeded appropriations in some areas as indicated in the financial statements.

Non-motorized Transportation Expenditures

As of June 30, 2004, the Village was required to have spent \$5,228 of its Act 51 Highway revenue on non-motorized improvements. It has only spent \$2,995. The Village has submitted a preliminary plan to the Michigan Department of Transportation to meet this expenditure limit but as of June 30, 2004, has not expended any monies on the plan. The Village needs to proceed with this plan or develop another plan to meet the spending limit or the State of Michigan may begin to withhold future Act 51 monies.

Due to Other Funds

The following checks should be written to resolve the outstanding interfund receivables and payables:

Local Street Fund check to General Fund	\$ 942.33
Major Street Fund check to General Fund	1,008.01
1952 Dike Fund Check to General Fund	70.20

Rubbish Millage

For the 2004-2005 fiscal year, the Village was forced to switch their rubbish contractor which resulted in the monthly charges increasing approximately \$320. The rubbish millage levied July 1, 2004 will generate \$20,392, which will be short of the yearly rubbish costs by approximately \$3,800. The Village should review the possibility of raising the rubbish millage for the July 1, 2005 tax roll.

New Reporting Model

For the fiscal year ending June 30, 2004, the Village implemented GASB No. 34. This new reporting model created new financial statements and has a new section entitled *Management's Discussion and Analysis* which is a narrative introduction, overview and analysis of the current year activity.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Very truly yours,

A handwritten signature in cursive script, reading "Codley Hehl Wohlgenuth & Carlton".

November 12, 2004